

## Meal Pricing

### Student Meal Pricing

Program regulations require that both school lunches and breakfasts be priced as a unit. In addition, regulations state that the offer versus serve provision is not to affect the selling price established by the School Food Authority (SFA) for the lunch or breakfast. Regardless of which items a student chooses, he/she must pay the established full or reduced-price meal charge, as appropriate. Students eligible for free meals pay nothing.

#### 1. Reduced-price charge

The SFAs cannot charge more than 40 cents for a reduced-price lunch or 30 cents for a reduced-price breakfast, and the reduced price must be less than the full price meals. An SFA may choose to vary prices between high schools and elementary schools; however, the maximum charge may still never exceed 40 cents or 30 cents respectively for lunch and breakfast.

#### 2. Choice of lunches

Schools may offer students a choice of reimbursable lunches. The school may establish different unit prices for each type of lunch served provided that the benefits made available to students eligible for free or reduced-price meals are not affected. For example, if the school offers a “super” lunch with a larger serving of meat/meat alternate or other premium items, the “super” lunch must be available to the free and reduced-price participants at no additional charge if these meals are to be claimed for reimbursement.

### Fees for Lunch Services

Students must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

### A la Carte/Special Sales Student and Adult

At a minimum, a la carte/special sales prices must be set to cover the total cost of each menu item. When pricing menu items for a la carte/special sales, consider setting prices relatively high. The meal sold at the unit price and claimed for reimbursement (even when the students select only three food items) should be priced lower than the total of the a la carte/special sales prices of the same three items.

### Adult Meal Pricing

**Adult Visitors:** The charge to adult visitors, at the discretion of school officials, may be higher than the charge paid by adult school employees.

**School Food Service Employees:** Meals served to cafeteria employees directly involved in the operation and administration of the breakfast and lunch programs (managers, cooks, servers, etc.) may be served at no charge and considered as a fringe benefit attributable to program costs. Therefore, the cost of such meals may be paid from program funds. Charging school food service employees for meals is left to the discretion of school officials.

## Important Point!

In no case may the funds available to pay the cost of adult meals be less than the actual cost of providing the meals. In addition, funds available to pay the cost of student meals may never be used to supplement the cost of adult meals.

## ***Important Point!***

If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the school must provide enough money from non-school food service funds to the food service account to pay the cost of these adult meals. Also, an audit trail must be documented.

**Other SFA Employees:** The benefits of the National School Lunch and School Breakfast Programs are for children only. The reimbursement and commodities received by schools are based on the number of lunches and breakfasts served

to students. No reimbursement or commodities are provided for meals served to adults.

To ensure that children's payments and Federal reimbursement for children's meals are not used to subsidize the payment of an adult meal, minimum pricing for adult meals as determined by the State Office is required. The amount of these minimums is provided with the release of the annual reimbursement rates. Adult meal minimum prices for the 2003–2004 school year are \$2.50 and \$1.25 for lunch and breakfast, respectively. The SFA may establish higher prices for adult meals, but not lower than the minimums indicated. If the SFA is considering charging other than the minimum established price for adult meals, one of the three-methods shown below must be used to establish the meal price so that student programs will not be financially hampered by adult participation. The minimum price established by the State Agency for adult meals is based on Method 1.

### **Determining Minimum Pricing for an Adult Meal**

When calculating adult meal prices using these methods, school officials are encouraged to include the two-cent supplemental payment for SFAs in the 60 percent or more free and reduced-price category as appropriate. In addition, State sales tax must be paid on adult meals sold and must be added to the adult charge when establishing minimums.

#### **Method 1:**

**Lunch:** Add the rate of Federal reimbursement for a free student lunch to the per meal value of USDA commodity assistance plus State sales tax.

**Breakfast:** Charge the rate of Federal reimbursement for a free student breakfast plus State sales tax.

#### **Method 2:**

**Lunch:** Cost out food, labor, supplies, and miscellaneous expenses attributed to providing an adult meal, accounting for the value of commodities and portions actually served to adults. State sales tax must be added to the price set for adult meals.

**Breakfast:** Cost out meal as described above and add State sales tax.

#### **Method 3:**

In place of unit pricing an adult meal, meal items may be sold to adults on an a la carte basis. Keep in mind that a la carte pricing must equal or exceed the minimum adult meal price for the same combination of items.

## Pricing of School Lunch Instructional Aid

Table 1 Section 5 may be useful in explaining to employees and others how the National School Lunch Program is funded and why adults must be charged a higher price than students for the same sized portion.

Please note: The reimbursement rates and the per meal value of United States Department of Agriculture (USDA) commodity assistance used in the example are the maximums received for the 2002–2003 school year. Also, the student price used is merely a statewide estimated average. It is recommended that in order to adapt the chart for use in a particular the SFA, the SFA's current student and adult prices should be substituted.

## Meal Pricing

In Table 1 Section 5 note that even though the adult is paying a cash price that is more than the paying student, the total revenue received for the adult meal is less than that received for the paying student's meal, and significantly less than the revenue received for the meal of a student who is receiving free or reduced-price meal benefits. Unless the SFA is supplementing the adult meal price from local funds (approximately \$.84 per meal), it would be required that the adult meal price be raised to at least the State 2003–2004 minimum

## Important Point!

The minimum adult meal price is based on federal reimbursement for student meals and high school student meal portions. If larger portions are served to adults, pricing must be calculated as described in Method 2. As such, this price must exceed the minimum established by the State Agency.

of \$2.50. This would prevent the adult participation from financially hampering the students' programs. If the \$2.50 were not charged, revenue would not be available to pay the required sales tax of 5 percent or more on adult meals.

Keep in mind the \$2.50 charge does not cover additional local taxes that may be applied to the sale of prepared food. The minimum adult prices will need adjustment upward if schools and/or districts are located in areas with local taxes on the sales of prepared foods.

Table 1 Section 5 Pricing of School Lunch

	<b>Student Free</b>	<b>Student Reduced</b>	<b>Student Paid</b>	<b>Adult Paid</b>
Cash	\$0.00	\$0.40	\$1.25	\$1.50*
Federal Reimbursement	\$2.16	\$1.76	\$0.22	\$0.00
USDA Commodity Assistance	\$0.18	\$0.18	\$0.18	\$0.00
<b>Total Revenue</b>	<b>\$2.34</b>	<b>\$2.34</b>	<b>\$1.65</b>	<b>\$1.50</b>

\*Hypothetical price for adults is shown to reflect that the revenue collected from the individual is all that is available to support an adult meal. The important illustration is the figure showing the actual cost of producing each meal compared to the revenue collected for each student category and for each adult meal.

## Reimbursement Rates

The reimbursement rates for the National School Lunch and School Breakfast Programs are effective from July 1 through June 30 and are announced annually by USDA.

Table 2 Section 5 Reimbursement Rates

	Reimbursement							
	Lunch			Breakfast				
Year	Full	Reduced	Free	Full	Reduced	Free	Severe Need	Commodity Assistance
<b>1992–93</b>	\$0.1625	\$1.2950	\$1.6950	\$0.1875	\$0.6450	\$0.9450	\$0.1775	\$0.1400
<b>1992–93</b>	\$0.1650	\$1.3250	\$1.7250	\$0.1900	\$0.6600	\$0.9600	\$0.1825	\$0.1400
<b>1993–94</b>	\$0.1650	\$1.3250	\$1.7250	\$0.1900	\$0.6600	\$0.9600	\$0.1825	\$0.1400
<b>1994–95</b>	\$0.1700	\$1.3575	\$1.7575	\$0.1925	\$0.6750	\$0.9750	\$0.1850	\$0.1450
<b>1995–96</b>	\$0.1725	\$1.3950	\$1.7950	\$0.1950	\$0.6975	\$0.9975	\$0.1875	\$0.1425
<b>1996–97</b>	\$0.1775	\$1.4375	\$1.8375	\$0.1975	\$0.7175	\$1.0175	\$0.1950	\$0.1450
<b>1997–98</b>	\$0.1800	\$1.4900	\$1.8900	\$0.2000	\$0.7450	\$1.0450	\$0.2000	\$0.1500
<b>1998–99</b>	\$0.1800	\$1.5425	\$1.9425	\$0.2000	\$0.7725	\$1.0725	\$0.2050	\$0.1475
<b>1999–00</b>	\$0.1900	\$1.5800	\$1.9800	\$0.2100	\$0.7900	\$1.0900	\$0.2100	\$0.1475
<b>2000–01</b>	\$0.1900	\$1.6200	\$2.0200	\$0.2100	\$0.8200	\$1.1200	\$0.2100	\$0.1500
<b>2001–02</b>	\$0.2000*	\$1.6900*	\$2.0900*	\$0.2100	\$0.8500	\$1.1500	\$0.2200	\$0.1550
<b>2002–03</b>	\$0.2000*	\$1.7400*	\$2.1400*	\$0.2200	\$0.8700	\$1.1700	\$0.2300	\$0.1525**
<b>2003–04</b>	\$0.2100*	\$1.7900*	\$2.1900*	\$0.2200	\$0.9000	\$1.2000	\$0.2300	\$0.1575

\*Districts with 60 percent or more free and reduced-price lunches served during the second previous year receive an additional reimbursement of \$0.02 per lunch in the form of supplemental payments, computed, and processed by the State Office.

\*\*The USDA Commodity Assistance per meal during the 2002-2003 school year was actually \$0.1800 because of a carry-over allocation from 2001–2002. Normally USDA Commodity Assistance is set at approximately \$0.1500.